

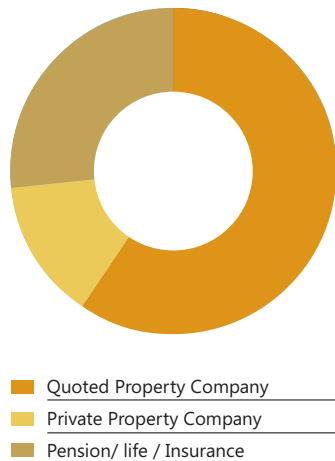
Q2 2013 SHOPPING CENTRE

Investment quarterly

Outlook

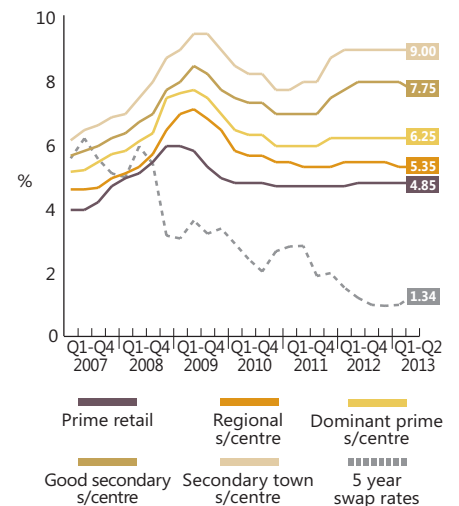
- Demand will remain healthy for prime and good secondary shopping centres and will stabilize for weaker secondary and tertiary assets.
- We expect greatest yield compression for good secondary shopping centres, with a potential improvement of up to 50bps by the end of the year.
- The outlook for the debt market continues to improve and we expect this to lead to more competitive terms going forward.
- We are aware that a number of schemes have been held back for the summer therefore more stock will be coming to the market in the next two quarters.

Figure 1
Who's buying?
Q2 2013



Source: Knight Frank LLP

Figure 2
Retail & shopping centre equivalent yields
Q1 2007 - Q2 2013



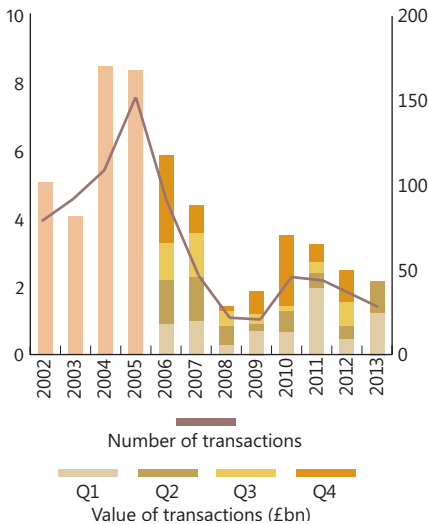
Source: Knight Frank LLP

Q2 shopping centres sold

Shopping centre	Status	Purchaser	Vendor	Price (£m)	NIY %
The Bullring, Birmingham (33%)	Sold	Hammerson & CIPPB	Future Fund	307.0	5.75
Centre:MK, Milton Keynes (36%)	Sold/Swap	Hermes	M&G	190.0	5.50
The Friary Centre, Guildford	Sold/Swap	M&G	Hermes	150.0	5.00
Old Spitalfields Market, London	Sold	Ashkenazy Acquisition Corporation	Ballymore/NAMA	105.0	3.80
Spires Shopping Centre, Barnet	Sold	Pears Group	UBS	31.2	8.25
Church Square Shopping Centre, St Helens	Sold	LaSalle IM	CBRE Global Investors	27.7	10.00
Bouverie Place, Folkestone	Sold	Tristan Capital	HBOS	21.0	8.80
Ankerside Shopping Centre, Tamworth	Sold	LaSalle IM	NAMA/Value Retail	14.5	11.35

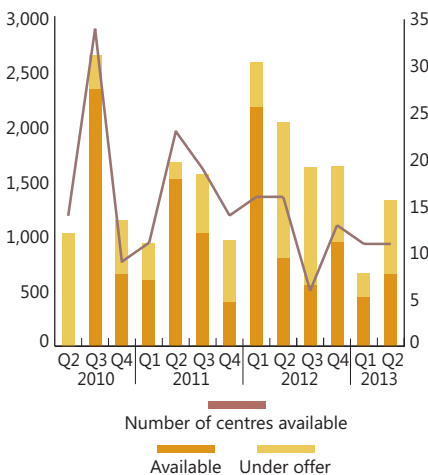
Source: Knight Frank LLP

Figure 3
Shopping centre transactions
(LHS – Value of transactions, £bn)
(RHS – Number of transactions)



Source: Knight Frank LLP

Figure 4
Shopping centre availability
(LHS – Value of availability, £m)
(RHS – Number of centres available)



Source: Knight Frank LLP

Market commentary

- There has been a considerable improvement in sentiment in the UK shopping centre investment market since the start of 2013. Q2 continued to see a buoyant level of activity, with a total of £878m of assets transacted across eight deals. This represents an increase of 138% on the same period last year.
- A notable trend in Q2 was the increasing number of disposals from partnership/joint venture vehicles. During Q2, the purchaser profile was dominated by quoted property companies and private property companies, accounting for 53% and 30% of transaction values respectively.
- Key transactions included Hermes and M&G's asset swap of thecentre:mk in Milton Keynes and The Friary Centre in Guildford. Hammerson and Canada Pension Plan Investment Board acquired the Future Fund's 33.3% holding in the Bullring Shopping Centre in Birmingham.
- Other notable deals included Ashkenazy Acquisition Corporation's purchase of Old Spitalfields Market in London from Ballymore for £105m; and British Land's purchase of Tesco's 50% stake in the Surrey Quays Mall in Canada Water for £48m.
- Eight assets and two portfolios were under offer at the end of Q2, with a combined quoted price of £675m, a 46% decrease on the comparable figure of Q2 2012. This includes a number of high value deals – the Bon Accord & St Nicholas Centres in Aberdeen for £185m, reflecting a net initial yield of around 7.25% and PRUPIM's prospective purchase of the Mall in Sutton Coldfield for £88m, reflecting a net initial yield of 7.75%.
- The debt market has seen continued improvement in recent months which has stimulated more activity. While debt providers are still cautious, many are prepared to lend against well-let assets, backed by strong covenants.
- There are currently 11 shopping centres being openly marketed, with a combined value of approximately £662m, compared with 16 assets at the end of Q2 2012. Buying opportunities for prime assets remains scarce. However, given the weight of money and improved availability of debt, we have seen an increasing interest in good secondary assets.
- The prime shopping centre yield stood at 5.35% in June – 15bp down on a year earlier. The gap between prime and secondary is at its widest since 2007, with the yield on good secondary centres adjusting to 7.75%. However, we expect this margin to fall.
- There has been more positive retail news in recent months - May retail sales volumes rose by 1.9% over the year and there are tentative signs that consumer confidence is finally returning, following a long period of gloom, with GfK's consumer confidence index rising by 5 points in May. However, recent failures such as Internacionale, Modelzone and Dwell continue to highlight the risks in the occupational market.

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